Washington, DC – In light of Facebook's recent attempt to raise additional equity capital while avoiding the burdens of SEC registration, and the SEC's subsequent examination into the strategy employed by Facebook, the Committee on Oversight and Government Reform Chairman Darrell Issa sent a letter today to the Securities and Exchange Commission's Chairman Mary Schapiro asking that the SEC consider whether its current regulations and actions contribute to the decline of capital formation.

"From Bernie Madoff to Enron, the SEC has failed time and again to detect real wrongdoing that cheats investors. But when Facebook, a U.S. company on the cutting edge, sought to raise capital from institutional buyers the SEC was there to smack them down," said Chairman Issa on sending the letter. "Directing the SEC's limited resources toward the protection of those that don't need it does not help ordinary investors and will not detect the next Madoff or the next Enron."

The letter highlights outdated laws that place an arbitrary cap on the number of shareholders permitted to own private entities. It questions whether quiet period restrictions are appropriate given modern communications, the trend toward improved disclosure and the need for transparency. In addition, it poses constitutional questions regarding the legality of restricting communications to investors under the quiet period. The letter also asks the SEC to answer whether the risk of diminished regulatory reach poses a conflict of interest that prevents the SEC from acting in the best interest of markets and investors.

The letter states, "The SEC should take all possible steps to arrest the decline of capital formation – both public and private – and expand opportunities for domestic entities to raise capital within the U.S. It should investigate the causes of the decline in the competitiveness of the public markets. It should likewise consider whether the complex rules and restrictions that govern private capital formation are appropriate."

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